

**GOWRIE MUNICIPAL UTILITIES  
A COMPONENT UNIT OF THE CITY OF GOWRIE**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

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Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Debra Tvrdik	Trustee	July, 2007
Bruce Towne	Trustee	July, 2008
Kevin Sturm	Trustee	July, 2009
Bob Schill	Trustee	July, 2005
Brad Lane	Trustee	July, 2006
Charles Angstrom	Public Works Director	Indefinite
Patrice Klingson	Secretary	Indefinite
Eric Eide	Attorney	Indefinite

## Independent Auditor's Report

To the Board of Trustees of  
Gowrie Municipal Utilities  
Gowrie, Iowa

We have audited the accompanying financial statement of the business type activities, each major fund and the aggregate remaining fund information of Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the Utilities' basic financial statement listed in the table of contents. This financial statement is the responsibility of the Utilities' management. Our responsibility is to express opinions on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, this financial statement presents only the component unit, Gowrie Municipal Utilities, and is not intended to present fairly the cash transactions of the funds of the City of Gowrie.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the business type activities of each major fund and the aggregate remaining fund information of Gowrie Municipal Utilities, a component unit of the City of Gowrie, as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2005 on our consideration of Gowrie Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 15 through 16 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise Gowrie Municipal Utilities' basic financial statement. Other supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C.  
Certified Public Accountants

August 11, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Gowrie Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- . Operating receipts of the Utilities' business type activities increased 7.1%, or approximately \$73,796 from fiscal 2004 to fiscal 2005.
- . Operating disbursements increased 4.7%, or approximately \$43,943 in fiscal 2005 from fiscal 2004.
- . The Utilities' total cash basis net assets increased 15%, or approximately \$75,000, from June 30, 2004 to June 30, 2005.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Proprietary Fund Financial Statements report the Utilities' operations by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

Other Supplementary Information provides detailed information about the nonmajor proprietary funds and other detailed information.

## **Basis of Accounting**

The Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this accrual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE UTILITIES' FINANCIAL ACTIVITIES**

### *Proprietary Fund Financial Statements*

Proprietary funds account for the Utilities' enterprise funds. Enterprise funds are used to report business type activities. Business type activities are financed primarily by user charges. The Utilities maintains five enterprise funds to provide separate information for the water, sewer, electric, garbage and meter deposit departments. The electric and water funds are considered to be major funds of the Utilities.



The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## FINANCIAL ANALYSIS COMPARISON

Changes in Cash Basis Fund Balances of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for service	\$ 1,060	979
General receipts:		
Unrestricted interest on investments	6	4
Loan and bond proceeds	492	250
Other general receipts	<u>89</u>	<u>121</u>
Total receipts	<u>1,647</u>	<u>1,354</u>
Disbursements	<u>1,573</u>	<u>1,294</u>
Increase in cash balance	74	60
Cash basis fund balances beginning of year	<u>498</u>	<u>438</u>
Cash basis fund balances end of year	<u>\$ 572</u>	<u>498</u>

Total business type activities receipts for the fiscal year were \$1.647 million compared to \$1.354 million last year. This increase was due primarily to the receipt of \$492,000 revenue bond proceeds. The cash balance increased by approximately \$75,000 from the prior year. Total disbursements for the fiscal year increased by 21.5% to a total of \$1.573 million.

## INDIVIDUAL MAJOR BUSINESS TYPE ACTIVITIES FUND ANALYSIS

- The Water Fund cash balance increased by \$40,616 to \$169,051.
- The Electric Fund cash balance increased by \$29,605 to \$354,816.

## BUDGETARY HIGHLIGHTS

The Utilities did not exceed its budget.

## DEBT ADMINISTRATION

At June 30, 2005, the Utilities had \$780,984 in loans, notes and bonds compared to \$364,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	<u>2005</u>	<u>2004</u>
Loan payable	\$ 77	114
Revenue note	231	250
Revenue bond	<u>473</u>	<u>0</u>
	\$ 781	364
	=====	=====

Debt increased as a result of obtaining a water revenue bond for water plant improvements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Gowrie Municipal Utilities' considered many factors when setting the fiscal year 2006 budget and fees that will be charged for services. Increases in wastewater treatment plant improvements account for the majority of the increase.

## CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gowrie Municipal Utilities, 1102 Main Street, Gowrie, Iowa 50543.

## **Basic Financial Statement**

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Exhibit A

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds			
	<u>Electric</u>	<u>Water</u>	<u>Other Nonmajor Proprietary Funds</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ -	3,600	-	3,600
Charges for service	765,464	146,584	147,700	1,059,748
Miscellaneous	37,989	55	4,922	42,966
Total operating receipts	<u>803,453</u>	<u>150,239</u>	<u>152,622</u>	<u>1,106,314</u>
Operating disbursements:				
Business type activities	<u>738,520</u>	<u>85,362</u>	<u>149,165</u>	<u>973,047</u>
Total operating disbursements	<u>738,520</u>	<u>85,362</u>	<u>149,165</u>	<u>973,047</u>
Excess of operating receipts over operating disbursements	<u>64,933</u>	<u>64,877</u>	<u>3,457</u>	<u>133,267</u>
Non-operating receipts (disbursements):				
Interest on investments	2,678	3,121	458	6,257
Miscellaneous	41,318	1,385	451	43,154
Revenue bond proceeds	-	492,278	-	492,278
Capital-outlay	(49,008)	(445,458)	-	(494,466)
Debt service	<u>(30,316)</u>	<u>(75,587)</u>	<u>-</u>	<u>(105,903)</u>
Total non-operating receipts (disbursements)	<u>(35,328)</u>	<u>(24,261)</u>	<u>909</u>	<u>(58,680)</u>
Excess of receipts over disbursements	29,605	40,616	4,366	74,587
Cash balances beginning of year	<u>325,206</u>	<u>128,435</u>	<u>44,080</u>	<u>497,721</u>
Cash balances end of year	<u>\$ 354,811</u>	<u>169,051</u>	<u>48,446</u>	<u>572,308</u>
<b>Cash Basis Fund Balances</b>				
Reserved for:				
Debt service	2,619	97,803	-	100,422
Improvements	-	78,181	-	78,181
Unreserved	<u>352,192</u>	<u>(6,933)</u>	<u>48,446</u>	<u>393,705</u>
Total cash basis fund balances	<u>\$ 354,811</u>	<u>169,051</u>	<u>48,446</u>	<u>572,308</u>

See notes to financial statements.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

Gowrie Municipal Utilities is a component unit of the City of Gowrie. These financial statements present the Enterprise funds of Gowrie Municipal Utilities only. Gowrie Municipal Utilities is legally separate from the City, but is financially accountable to the City. The Municipal Utilities is governed by a five-member board appointed by the City Council and the Municipal Utilities' operating budget is subject to the approval of the City Council. The Utilities provide water, electric, sewer and garbage services to the citizens of the City of Gowrie.

**A. Reporting Entity**

For financial reporting purposes, Gowrie Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. Gowrie Municipal Utilities has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Municipal Utilities are such that exclusion would cause the Municipal Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Municipal Utilities to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utilities. The Utilities has no component units which meet the Government Accounting Standards Board criteria.

**B. Basis of Presentation**

Fund Financial Statements – Separate financial statements are provided for the proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining proprietary funds are aggregated and reported as nonmajor proprietary funds.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2005

The Utilities reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the Utilities' electric system.

The Water Fund accounts for the operation and maintenance of the Utilities' water system.

C. Measurement Focus and Basis of Accounting

The Gowrie Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in the business type activities function.

**(2) Cash**

The Utilities' deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2005

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments at June 30, 2005. During the year, the Utilities deposited excess funds in certificates of deposit.

Interest rate risk – The Utilities’ investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utilities.

**(3) Loans, Notes and Bonds Payable**

Annual debt service requirements to maturity for loans, revenue notes and revenue bonds payable are as follows:

Year Ending	Loans		Revenue Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>June 30,</u>								
2006	\$ 37,976	1,790	21,894	8,290	27,000	13,988	86,870	24,068
2007	38,986	776	22,843	7,473	27,000	13,178	88,829	21,427
2008	---	---	23,691	6,625	28,000	12,368	51,691	18,993
2009	---	---	24,570	5,746	29,000	11,528	53,570	17,274
2010	---	---	25,482	4,834	30,000	10,658	55,482	15,492
2011-2024	---	---	<u>112,254</u>	<u>9,517</u>	<u>332,288</u>	<u>52,135</u>	<u>444,542</u>	<u>61,652</u>
Total	<u>\$ 76,962</u>	<u>2,566</u>	<u>230,734</u>	<u>42,485</u>	<u>473,288</u>	<u>113,855</u>	<u>780,984</u>	<u>158,906</u>

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2005

On April 29, 2003 a loan agreement was entered into between Security Savings Bank and Gowrie Municipal Utilities. The loan was for \$150,000 with a fixed interest rate of 2.65% and maturity date of May 1, 2007. The loan calls for eight semi-annual payments of \$19,890 beginning November 1, 2003. The loan is secured by a commercial security agreement dated April 29, 2003. Proceeds from this loan were used to redeem the Water Revenue Capital Loan Notes, Series 1991. The notes were redeemed on May 1, 2003 at par value of \$150,000 plus accrued interest.

On March 9, 2004 an electric revenue note was entered into between Security Savings Bank and Gowrie Municipal Utilities. The note was for \$250,000 with a fixed interest rate of 3.65% and maturity date of June 1, 2014. The note calls for twenty semi-annual payments of \$15,158 beginning December 1, 2004. The note is secured by a commercial security agreement dated March 9, 2004. Proceeds from this note were used to finance electrical improvements. The note resolution established an "Electric Revenue Fund" to be set aside and to be used in maintaining and operating the electric system and after payment of the operating expenses be used to pay the principal and interest on the note.

State Revolving Fund Loan Proceeds

The Utilities approved issuance of Water Revenue Bonds of \$695,000 to pay for improvements to the water treatment plant. The Utilities is drawing down funds as needed to pay for construction of this project. As of June 30, 2005, \$499,228 had been received and \$26,000 of principal had been paid by the Utilities. The Utilities anticipates receiving the balance of the loan proceeds during the next fiscal year. These proceeds are to be repaid over a twenty-year period starting June 1, 2005, with a fixed interest rate of 3.00%. The revenue bond resolution establishes that the water utilities maintain net revenues at a level not less than 110% of the amount of principal and interest on the water revenue bond falling due in the same year. The resolution also establishes a sinking fund which is to be depleted at least once each bond year except for a reasonable carryover amount.



Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2005

**(4) Pension and Retirement Benefits**

The Utilities contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the

Utilities is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$12,435, \$12,612, and \$11,579 respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

Utilities employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation payable to employees at June 30, 2005, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 6,279
	=====

This liability has been computed based on rates of pay in effect at June 30, 2005.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2005

**(6) Risk Management**

Gowrie Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Construction Commitment**

The Gowrie Municipal Utilities has entered into a contract for approximately \$590,000 for water plant improvements. As of June 30, 2005, costs of approximately \$500,000 had been incurred. The balance of the contract remaining at June 30, 2005 will be paid as work on the project progresses.

**(8) Subsequent Event**

A \$500,000 CDBG grant has been awarded to the City of Gowrie for a wastewater treatment project with the Gowrie Municipal Utilities as the subrecipient. As of June 30, 2005 no proceeds have been received. The Utilities has entered into a contract for engineering services but it has not been determined when the project will commence.

## **Required Supplementary Information**

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Proprietary Funds <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
		<u>Original</u>	<u>Final</u>	
Receipts:				
Use of money and property	\$ 9,857	4,100	4,100	5,757
Charges for service	1,059,748	1,046,800	1,046,800	12,948
Miscellaneous	86,120	185,065	185,065	(98,945)
Total receipts	<u>1,155,725</u>	<u>1,235,965</u>	<u>1,235,965</u>	<u>(80,240)</u>
Disbursements:				
Business type activities	<u>1,573,416</u>	<u>1,930,965</u>	<u>1,930,965</u>	<u>357,549</u>
Excess (deficiency) of receipts over (under) disbursements	(417,691)	(695,000)	(695,000)	277,309
Other financing sources, net	<u>492,278</u>	<u>695,000</u>	<u>695,000</u>	<u>(202,722)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	74,587	-	-	74,587
Balances beginning of year	<u>497,721</u>	<u>(323,430)</u>	<u>(588,430)</u>	<u>1,086,151</u>
Balance end of year	<u>\$ 572,308</u>	<u>(323,430)</u>	<u>(588,430)</u>	<u>1,160,738</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council of the City of Gowrie annually adopts a budget on the cash basis following required public notice and hearing for all funds. Gowrie Municipal Utilities' budget is part of the City of Gowrie's budget. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund. These ten functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Gowrie Municipal Utilities' disbursements are under the business type activities function. During the year ended June 30, 2005, Utility disbursements did not exceed the amounts budgeted.

## **Other Supplementary Information**

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 1

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds			
	Sewer	Garbage	Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 92,000	55,700	-	147,700
Miscellaneous	-	-	4,922	4,922
Total operating receipts	<u>92,000</u>	<u>55,700</u>	<u>4,922</u>	<u>152,622</u>
Operating disbursements:				
Business type activities	<u>91,802</u>	<u>53,435</u>	<u>3,928</u>	<u>149,165</u>
Total operating disbursements	<u>91,802</u>	<u>53,435</u>	<u>3,928</u>	<u>149,165</u>
Excess of operating receipts over operating disbursements	<u>198</u>	<u>2,265</u>	<u>994</u>	<u>3,457</u>
Non-operating receipts (disbursements):				
Interest on investments	374	57	27	458
Miscellaneous	<u>451</u>	<u>-</u>	<u>-</u>	<u>451</u>
Total non-operating receipts (disbursements)	<u>825</u>	<u>57</u>	<u>27</u>	<u>909</u>
Excess of receipts over disbursements	1,023	2,322	1,021	4,366
Cash balances beginning of year	<u>27,054</u>	<u>11,713</u>	<u>5,313</u>	<u>44,080</u>
Cash balances end of year	<u>\$ 28,077</u>	<u>14,035</u>	<u>6,334</u>	<u>48,446</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Enterprise funds	<u>28,077</u>	<u>14,035</u>	<u>6,334</u>	<u>48,446</u>
Total cash basis fund balances	<u>\$ 28,077</u>	<u>14,035</u>	<u>6,334</u>	<u>48,446</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 2

Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Fund - Electric Department

As of and for the year ended June 30, 2005

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sale of electricity	\$ 764,712	-	764,712
Reconnection fees	752	-	752
	<u>765,464</u>	<u>-</u>	<u>765,464</u>
Miscellaneous:			
Merchandise and labor sales	3,295	-	3,295
Sales tax collected	34,694	-	34,694
	<u>37,989</u>	<u>-</u>	<u>37,989</u>
Total operating receipts	<u>803,453</u>	<u>-</u>	<u>803,453</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	155,084	-	155,084
FICA - Employer's portion	11,864	-	11,864
IPERS - Employer's portion	8,893	-	8,893
Group insurance	36,742	-	36,742
Uniforms	580	-	580
Workers compensation	4,303	-	4,303
	<u>217,466</u>	<u>-</u>	<u>217,466</u>
Services and commodities:			
Advertising and legal publication	2,946	-	2,946
Consulting and legal	1,511	-	1,511
Power purchased	330,701	-	330,701
General insurance	13,045	-	13,045
Miscellaneous contractual work	1,562	-	1,562
Postage and shipping	1,581	-	1,581
Sales and property tax remitted	45,450	-	45,450
Telephone	1,614	-	1,614
Travel and conference	1,045	-	1,045
Utility service	15,533	-	15,533
Dues and membership	5,553	-	5,553
Buildings and maintenance supplies	9,977	-	9,977
Minor equipment	1,648	-	1,648
Motor vehicle supplies and maintenance	3,229	-	3,229
Office supplies	5,560	-	5,560
Operating supplies and materials	47,581	-	47,581

(continued)



Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 2

Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Fund - Electric Department

As of and for the year ended June 30, 2005

	Electric <u>Revenue</u>	Electric <u>Sinking</u>	<u>Total</u>
Refunds	551	-	551
Contribution to City	16,621	-	16,621
Distribution supplies and material	15,346	-	15,346
	<u>521,054</u>	<u>-</u>	<u>521,054</u>
Total operating disbursements	<u>738,520</u>	<u>-</u>	<u>738,520</u>
Excess of operating receipts over operating disbursements	<u>64,933</u>	<u>-</u>	<u>64,933</u>
Non-operating receipts (disbursements):			
Interest on investments	2,618	60	2,678
Miscellaneous	41,318	-	41,318
Capital outlay:			
Substation project	(24,522)	-	(24,522)
Fuel tanks project	(24,486)	-	(24,486)
Debt service:			
Principal payments	-	(19,266)	(19,266)
Interest payments	-	(11,050)	(11,050)
Total non-operating receipts (disbursements)	<u>(5,072)</u>	<u>(30,256)</u>	<u>(35,328)</u>
Excess of receipts over disbursements	59,861	(30,256)	29,605
Operating transfers in	-	27,175	27,175
Operating transfers out	<u>(27,175)</u>	<u>-</u>	<u>(27,175)</u>
Net change in cash balances	32,686	(3,081)	29,605
Cash balances beginning of year	<u>319,506</u>	<u>5,700</u>	<u>325,206</u>
Cash balances end of year	<u>\$ 352,192</u>	<u>2,619</u>	<u>354,811</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	2,619	2,619
Unreserved	<u>352,192</u>	<u>-</u>	<u>352,192</u>
Total cash basis fund balances	<u>\$ 352,192</u>	<u>2,619</u>	<u>354,811</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Fund - Water Department

As of and for the year ended June 30, 2005

	Water Operations & <u>Maintenance</u>	Water <u>Sinking-Well</u>	Water Sinking <u>2004 Project</u>
Operating receipts:			
Use of money and property:			
Tower rent	\$ -	-	-
Charges for service:			
Sale of water	143,655	-	-
Reconnection fees	125	-	-
	<u>143,780</u>	-	-
Miscellaneous:			
Merchandise and labor sales	55	-	-
Total operating receipts	<u>143,835</u>	-	-
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	32,786	-	-
FICA - Employer's portion	2,508	-	-
IPERS - Employer's portion	1,878	-	-
Group insurance	5,635	-	-
Uniforms	200	-	-
Workers compensation	1,154	-	-
	<u>44,161</u>	-	-
Services and commodities:			
Advertising and legal publication	527	-	-
Consulting and legal	6,176	-	-
General insurance	2,830	-	-
Miscellaneous contractual work	2,529	-	-
Postage and shipping	572	-	-
Telephone	925	-	-
Travel and conference	253	-	-
Utility service	13,365	-	-
Dues and memberships	515	-	-
Building and maintenance supplies	1,165	-	-
Chemicals and testing	5,250	-	-
Minor equipment	45	-	-
Motor vehicle supplies and maintenance	684	-	-
Office supplies	2,320	-	-
Operating supplies and materials	88	-	-
Distribution supplies and material	2,519	-	-
Refunds	863	-	-
Contribution to City	575	-	-
	<u>41,201</u>	-	-
Total operating disbursements	<u>85,362</u>	-	-

## Schedule 3

<u>Water Reserve</u>	<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
-	3,600	-	3,600
-	2,804	-	146,459
-	-	-	125
-	2,804	-	146,584
-	-	-	55
-	6,404	-	150,239
-	-	-	32,786
-	-	-	2,508
-	-	-	1,878
-	-	-	5,635
-	-	-	200
-	-	-	1,154
-	-	-	44,161
-	-	-	527
-	-	-	6,176
-	-	-	2,830
-	-	-	2,529
-	-	-	572
-	-	-	925
-	-	-	253
-	-	-	13,365
-	-	-	515
-	-	-	1,165
-	-	-	5,250
-	-	-	45
-	-	-	684
-	-	-	2,320
-	-	-	88
-	-	-	2,519
-	-	-	863
-	-	-	575
-	-	-	41,201
-	-	-	85,362

(continued)

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Fund - Water Department

As of and for the year ended June 30, 2005

	Water Operations & <u>Maintenance</u>	Water <u>Sinking-Well</u>	Water Sinking <u>2004 Project</u>
Excess of operating receipts over operating disbursements	<u>58,473</u>	<u>-</u>	<u>-</u>
Non-operating receipts (disbursements):			
Interest on investments	1,439	-	-
Miscellaneous	1,385	-	-
Proceeds from state revolving loan	492,278	-	-
Capital outlay:			
Water plant project	(445,458)	-	-
Debt service:			
Principal payments	-	(37,019)	(26,000)
Interest payments	<u>-</u>	<u>(2,761)</u>	<u>(9,807)</u>
Total non-operating receipts (disbursements)	<u>49,644</u>	<u>(39,780)</u>	<u>(35,807)</u>
Excess (deficiency) of receipts over (under) disbursements	108,117	(39,780)	(35,807)
Operating transfers in	14,989	39,600	52,900
Operating transfers out	<u>(94,300)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	28,806	(180)	17,093
Cash balances beginning of year	<u>(35,739)</u>	<u>3,390</u>	<u>-</u>
Cash balances end of year	<u>\$ (6,933)</u>	<u>3,210</u>	<u>17,093</u>
<b>Cash Basis Fund Balances</b>			
Reserved for:			
Debt service	\$ -	3,210	17,093
Improvements	-	-	-
Unreserved	<u>(6,933)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ (6,933)</u>	<u>3,210</u>	<u>17,093</u>

See accompanying independent auditor's report.

Schedule 3

<u>Water Reserve</u>	<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
-	6,404	-	64,877
1,432	250	-	3,121
-	-	-	1,385
-	-	-	492,278
-	-	-	(445,458)
-	-	-	(63,019)
-	-	-	(12,568)
1,432	250	-	(24,261)
1,432	6,654	-	40,616
1,800	-	-	109,289
(14,989)	-	-	(109,289)
(11,757)	6,654	-	40,616
116,743	24,041	20,000	128,435
104,986	30,695	20,000	169,051
77,500	-	-	97,803
27,486	30,695	20,000	78,181
-	-	-	(6,933)
104,986	30,695	20,000	169,051

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 4

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Proprietary Fund - Sewer Department

As of and for the year ended June 30, 2005

Operating receipts:

Charges for service:

Sewer rental fees	\$ 92,000
Total operating receipts	<u>92,000</u>

Operating disbursements:

Business type activities:

Personal services:

Salaries and wages	29,044
FICA - Employer's portion	2,222
IPERS - Employer's portion	1,664
Group insurance	5,597
Uniforms	200
Workers compensation	716
	<u>39,443</u>

Services and commodities:

Advertising and publication	174
Consulting and legal	23,594
General insurance	2,114
Miscellaneous contractual work	11,544
Postage and shipping	397
Telephone	485
Travel and conference	195
Utility service	9,899
Dues and membership	254
Building and maintenance supplies	291
Motor vehicle supplies and maintenance	684
Office supplies	1,172
Operating supplies and materials	1,289
Distribution supplies and materials	267
	<u>52,359</u>
Total operating disbursements	<u>91,802</u>

(continued)

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 4

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Proprietary Fund - Sewer Department

As of and for the year ended June 30, 2005

Excess of operating receipts over operating disbursements	<u>198</u>
Non-operating receipts:	
Interest on investments	374
Miscellaneous	<u>451</u>
Total non-operating receipts	<u>825</u>
Excess of receipts over disbursements	1,023
Cash balance beginning of year	<u>27,054</u>
Cash balance end of year	<u><u>28,077</u></u>
<b>Cash Basis Fund Balance</b>	
Unreserved	<u>28,077</u>
Total cash basis fund balance	<u>\$ 28,077</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 5

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Proprietary Fund - Garbage Department

As of and for the year ended June 30, 2005

Operating receipts:	
Charges for service:	
Garbage service	\$ 55,700
Total operating receipts	<u>55,700</u>
Operating disbursements:	
Business type activities:	
Services and commodities:	
Miscellaneous contractual work	47,753
Other agency payments	<u>5,682</u>
Total operating disbursements	<u>53,435</u>
Excess of operating receipts over operating disbursements	<u>2,265</u>
Non-operating receipts:	
Interest on investments	<u>57</u>
Excess of receipts over disbursements	2,322
Cash balance beginning of year	<u>11,713</u>
Cash balance end of year	<u><u>14,035</u></u>
<b>Cash Basis Fund Balance</b>	
Unreserved	<u>14,035</u>
Total cash basis fund balance	<u><u>\$ 14,035</u></u>

See accompanying independent auditor's report.



Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule of Indebtedness

Year ended June 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Loan payable - Security Savings Bank	4-29-03	2.65%	\$ 150,000
Electric Revenue Note - Security Savings Bank	3-09-04	3.65%	\$ 250,000
Water Revenue Bonds - State Revolving Fund	7-20-04	3.00%	\$ 695,000

See accompanying independent auditor's report.

## Schedule 6

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 113,981	-	37,019	76,962	2,761	-
\$ -	250,000	19,266	230,734	11,050	-
\$ -	499,228	26,000	473,228	9,807	-

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 7

Loan and Note Maturities

June 30, 2005

Year Ending <u>June 30,</u>	<u>Loan Payable</u>			<u>Electric Revenue Note</u>			<u>Total</u>
	<u>Issued April 29, 2003</u>			<u>Issued March 9, 2004</u>			
	<u>Interest</u>		<u>Amount</u>	<u>Interest</u>		<u>Amount</u>	
<u>Rates</u>		<u>Rates</u>					
2006	2.65 %	\$	37,976	3.65 %	\$	21,894	59,870
2007	2.65		38,986	3.65		22,843	61,829
2008			-	3.65		23,691	23,691
2009			-	3.65		24,570	24,570
2010			-	3.65		25,482	25,482
2011			-	3.65		26,428	26,428
2012			-	3.65		27,409	27,409
2013			-	3.65		28,426	28,426
2014			-	3.65		29,991	29,991
	Total		<u>\$ 76,962</u>			<u>\$ 230,734</u>	<u>307,696</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 8

Revenue Bond Maturities

June 30, 2005

Year Ending <u>June 30,</u>	<u>Water Revenue Bonds</u>	
	<u>Series 2004 Issued July 20, 2004</u>	
	<u>Interest</u>	<u>Amount</u>
	<u>Rates</u>	
2006	3.00 % \$	27,000
2007	3.00	27,000
2008	3.00	28,000
2009	3.00	29,000
2010	3.00	30,000
2011	3.00	31,000
2012	3.00	32,000
2013	3.00	33,000
2014	3.00	34,000
2015	3.00	35,000
2016	3.00	36,000
2017	3.00	37,000
2018	3.00	38,000
2019	3.00	39,000
2020	3.00	17,288
	Total	<u>\$ 473,288</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 9

Schedule of Insurance Coverage

Year ended June 30, 2005

<u>Insurer</u>	<u>Coverage</u>	<u>Amount</u>
Employers Mutual Casualty Insurance Company (Expires 4-1-2006)	<u>Comprehensive General Liability</u>	\$ 2,000,000/\$2,000,000
	Bodily injury	1,000,000/1,000,000
	Fire damage	100,000
	Medical expense	5,000
	<u>Blanket Building and Personal Property</u>	3,825,262
	<u>Automobile Coverage</u>	
	Bodily injury	1,000,000
	Collision (\$1,000 deductible)	ACV, or cost of repairs
	Comprehensive (\$100 deductible)	ACV, or cost of repairs
	Uninsured motorist	1,000,000
	Underinsured motorist	1,000,000
	Medical payments	5,000
	<u>Umbrella Liability</u>	2,000,000/2,000,000
	Retained limit	10,000
	<u>Comprehensive Employee Dishonesty Bond</u>	
	Public employees (\$2,000 deductible)	200,000
	Forgery or alteration (\$250 deductible)	10,000
	<u>Worker's Compensation</u>	500,000
	<u>Board Members and Employees Liability</u>	
	Each loss (\$1,500 deductible)	1,000,000
	Aggregate	1,000,000
	<u>Premise Burglary</u>	
	Inside/outside premises	10,000/10,000
	Premise burglary	15,000
Cincinnati Insurance Company (Expires 4-1-2006)	<u>Boiler Insurance</u>	
	Engines and generators (\$25,000 deductible)	5,000,000

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 10

Electric Department Data

Year ended June 30, 2005

1. Number of customers by rate category (by meters)

Commercial	140
Residential	474
Street lights	26

2. Electricity purchased – 7,865,545 K.W.H.

3. Electricity billed – 7,040,661 K.W.H.

See accompanying independent auditor's report.

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie

Schedule 11

Water Department Data

Year ended June 30, 2005

Number of customers served      494

Water rates:

\$3.00 per 1,000 gallons - \$11.00 minimum plus \$.50 per additional outlet or connection point in one building.

\$ .10 per 1,000 gallons for water tower maintenance.

See accompanying independent auditor's report.

Independent Auditor's Report  
on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on An Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Trustees of  
Gowrie Municipal Utilities  
Gowrie, Iowa

We have audited the accompanying financial statements of the business type activities, each major fund, and the aggregate remaining fund information of the Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the Utilities' basic financial statements listed in the table of contents, and have issued our report thereon dated August 11, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gowrie Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gowrie Municipal Utilities' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in item I-A-05 of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements



being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gowrie Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gowrie Municipal Utilities and other parties to whom Gowrie Municipal Utilities may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Gowrie Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.C.  
Certified Public Accountants

August 11, 2005

Gowrie Municipal Utilities  
A Component Unit of the City of Gowrie  
Schedule of Findings  
Year ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Utilities should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Based upon the size of our office staff, duties are segregated to the greatest extent possible.

Conclusion - Response acknowledged. The Utilities should utilize administrative personnel to provide additional control through review of financial transactions and reports.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-05 Official Depositories - A resolution naming official depositories has been approved by the Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - The City of Gowrie and Gowrie Municipal Utilities submit a combined budget. Utility disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted.

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2005

- II-C-05 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense - No disbursements of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- II-E-05 Business Transactions - No business transactions between the Utilities and Utilities' officials or employees were noted.
- II-F-05 Bond Coverage - Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board of Trustees Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.
- II-I-05 Revenue Bond and Notes - The Utilities has complied with the revenue bond and note resolutions but it was noted the 2004 Series revenue bond sinking fund has a carryover balance greater than what is stated in the resolution.

Recommendation - The Utilities should accumulate in the 2004 Series bond sinking fund no more than the greater of the earnings of the fund for the immediately preceding bond year or 1/12 of the principal and interest payments for the immediately preceding bond year.

Response - We will monitor the sinking fund account balance.

Conclusion - Response accepted.